

Message Text

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ACTION AID-31

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COMMERCE FOR MEPD

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E.O. 11652: N/A

TAGS: BMPE, EIND, EINV, KU

SUBJECT: KUWAIT INDUSTRIALIZATION DEVELOPMENTS

SUMMARY: A SENIOR KUWAITI OFFICIAL CLAIMS THAT PRIME MINISTER JABER AL-AHMAD HAS RENEWED HIS DETERMINATION TO SEE THE KUWAITI ECONOMY DIVERSIFY THROUGH INCREASED INDUSTRIALIZATION. IF SO, THIS COULD MEAN THAT SEVERAL IMPORTANT PROJECTS WHICH HAVE BEEN STALLED ARE LIKELY NOW TO PROCEED. THE PRIME MINISTER IS ALSO INTERESTED IN IDENTIFYING INDUSTRIAL PROJECTS ABROAD THAT GOK COULD HELP FINANCE. HE HAS CALLED FOR A LIST OF SUCH PROJECTS AND EMBASSY IN TURN HAS BEEN ASKED TO ASSIST. END SUMMARY.

1. ASSISTANT UNDERSECRETARY FOR INDUSTRY MOHAMAD MADOO, IN MEETING HE REQUESTED WITH EMBOFF, CLAIMED THAT HE RECENTLY CONVINCED PRIME MINISTER JABER AL-AHMAD AL-SABAH TO MOVE FORWARD VIGOROUSLY WITH KUWAITI INDUSTRIALIZATION PLANS. PM HAS IN PAST SPOKEN PUBLICLY AND APPROVINGLY OF NEED OF KUWAIT TO DIVERSIFY ITS ECONOMY THROUGH INDUSTRIALIZATION, BUT RECENTLY SEVERAL PROJECTS HAVE EITHER BEEN QUESTIONED BY SENIOR GOK OFFICIALS OR HAVE OTHERWISE BOGGED DOWN.

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2. MADOO SAID HE TALKED ABOUT THIS AT LENGTH WITH PM DURING THREE MEETINGS IN PAST TWO WEEKS. HE CLAIMED TO HAVE TOLD PM THAT KUWAIT'S NEIGHBORS WERE MOVING RAPIDLY AHEAD AND THAT "BETTER" FOREIGN COMPANIES WHICH WOULD BE NEEDED TO PROVIDE TECHNICAL AND MANAGERIAL EXPERTISE WOULD LOSE INTEREST IN KUWAIT SOON. MADOO NOTED TO PM THAT NO IMPORTANT NEW INDUSTRIAL PROJECT HAS BEEN STARTED HERE SINCE 1970 DESPITE MUCH TALK.

3. ACCORDING TO MADOO, HE WAS SUCCESSFUL IN OBTAINING PM'S AGREEMENT TO PUSH AHEAD WITH SEVERAL PENDING LARGE INDUSTRIAL PROJECTS, NOTABLY IN FIELDS PETROCHEMICALS, ALUMINUM (SEPTOL) AND STEEL. IN ADDITION, STALLED LUBE OIL AND WIRE AND CABLE PROJECTS WILL NOW MOVE FORWARD, MADOO SAID. PM ALSO AGREED TO FORMATION OF INTER-AGENCY INDUSTRIAL BOARD WHOSE PURPOSE WILL BE TO PROVIDE AUTHORITATIVE INFORMATION QUICKLY TO FOREIGN FIRMS INTERESTED IN PARTICIPATING IN INDUSTRIAL PROJECTS HERE.

4. PM ALSO WANTS LIST OF FOREIGN INDUSTRIAL PROJECTS BEING PLANNED OR DISCUSSED WHICH GOK SHOULD CONSIDER HELPING TO FINANCE. REITERATING POINTS MADE RECENTLY TO AMBASSADOR BY PM, MADOO SAID SUCH PROJECTS IN THIRD COUNTRIES WOULD BE GOOD PLACES TO MATE KUWAITI INVESTMENT FUNDS AND US TECHNOLOGY. HE ASKED IF EMBASSY COULD HELP SUPPLY HIM WITH LIST OF SUCH PROJECTS. MADOO ALSO EXPRESSED INTEREST IN US FIRMS BECOMING INVOLVED IN INDUSTRIAL PROJECTS HERE. WHEN ASKED WHY HE PREFERRED US FIRMS OVER EUROPEANS AND JAPANESE, MADOO SAID HE WANTED TO GAIN ACCESS TO TECHNOLOGY DIRECTLY AND NOT THROUGH MIDDLEMEN.

5. COMMENT: IF MADOO IS CORRECT, IT COULD BE THAT PM HAS RESOLVED DEBATE CURRENTLY GOING ON WITHIN GOK OVER HOW BEST TO INDUSTRIALIZE. SOME OFFICIALS, INCLUDING MINISTER OF FINANCE AND OIL ATEEQI AND PLANNING BOARD DG DUAJI, ARE CONCERNED OVER IMPLICATION OF FURTHER INDUSTRIALIZATION ON KUWAIT OIL AND GAS PRODUCTION POLICIES, POPULATION (I.E. NEED TO IMPORT LABOR TO RUN NEW FACTORIES) AND LOCAL POLLUTION PROBLEMS. PRO-INDUSTRIALIZATION OFFICIALS, SUCH AS MADOO, AND PRIVATE ENTREPRENEURS WHO STAND TO GAIN FROM ESTABLISHING INDUSTRIES STRESS KUWAIT'S NEED TO DIVERSIFY ITS ECONOMY. IN ADDITION, MADOO, IN TRYING TO CONVINCE PM OF HIS VIEW NOTED SUCH PSYCHOLOGICAL FACTORS AS KUWAIT'S REPUTATION AMONG FOREIGN FIRMS AND ITS RELATIVE LIMITED OFFICIAL USE

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POSITION IN THE REGION.

6. WE ARE NOT CONVINCED MADOO HAS QUITE THE CARTE BLANCHE HE CLAIMS, AND WE THEREFORE NOT CERTAIN THAT IN FACT ALL PRESENTLY STALLED PROJECTS WILL GO FORWARD IMMEDIATELY. NEITHER, HOWEVER, DO WE THINK HE SHOULD BE IGNORED. MADOO IS THOUGHT TO BE CLOSE TO PM WHO IN TURN IS THOUGHT TO SUPPORT HIM ON MANY ISSUES. IF MADOO IS CORRECT, GOK COULD WELL TAKE STEPS SOON TO FINANCE

SOME BILLIONS OF DOLLARS WORTH OF INDUSTRIAL PROJECTS HERE AND ABROAD. THESE REPRESENT A MOST IMPORTANT OPPORTUNITY TO AMERICAN FIRMS. MOREOVER, MATTER IS OF CONSIDERABLE POLITICAL IMPORTANCE HERE AS WELL, AND I THINK IF IS SIGNIFICANT THAT BOTH PM AND MADDOO HAVE EXPRESSED AN INTEREST IN COOPERATING WITH US FIRMS HERE AND ABROAD.

7. ACTION REQUESTED: I HOPE DEPARTMENT CAN PROVIDE REPRESENTATIVE LIST OF INDUSTRIAL VENTURES CURRENTLY BEING DISCUSSED IN VARIOUS THRID COUNTRIES WHERE IT WOULD MAKE SENSE TO MATE KUWAITI FINANCE AND US TECHNOLOGY. WE RECOMMEND A REPRESENTATIVE LIST OF 20-30 PROJECTS THROUGHOUT WORLD THAT WILL GIVE PM AND GOK SOMETHING TO FOCUS ON. WE WOULD BE INTERESTED IN ANY SUGGESTIONS DEPARTMENT OR OTHERS MAY HAVE ON HOW WE COULD PURSUE THIS MATTER IN AN EFFORT TO ATTRACT KUWAITI FUNDS TO PROJECTS OF PARTICULAR INTEREST EITHER TO US FIRMS OR TO USG.
STOLTZFUS

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